

**REPLY BY THE MINISTER OF
THE COMMERCE AND EMPLOYMENT DEPARTMENT
TO A QUESTION ASKED PURSUANT TO RULE 6 OF THE
RULES OF PROCEDURE BY DEPUTY LESTER C. QUERPEL**

Question 1

What exactly will the forthcoming Commerce and Employment Minimum Wage review consist of? E.g. The format and the process itself.

Answer 1:

One of the very first items of business considered by the Commerce and Employment Department after this year's elections was the question of the statutory minimum wage and associated rates that had last been changed with effect from 1st October 2011.

As part of the discussions at that time, it was agreed that it was timely, after three years of operation of the system, to look at the processes used and the information gathered in the mandatory consultation period, to ensure that the process was as informative and efficient as reasonably practical.

Since then there have been some further discussions, seeking to establish an evidence based view of the impact of the statutory minimum wage rate on different sectors of the economy. Initial work on this background study is in hand and should tell us if data exists that can be used to provide a reliable way of predicting the effect on profitability, costs, and employment, of changes in the statutory minimum wage rates.

Beyond that work, the Department has not yet considered in any detail the nature, scope, and terms of reference of a review of the arrangements for the statutory minimum wage. This is something that will be considered in the coming two months as part of planning to define which work will be included in the Department's 2013 Business Plan.

Question 2:

How long will the review take?

Answer 2:

This will depend on the scope of any review and the start date, but, with other work that is in hand or already planned, it is likely to occupy most of 2013.

A key factor in any wider review will be access to reliable data as the Department is largely reliant on "tapping into" data that is collected primarily for other purposes.

Question 3:

How long will it be before the recommendations that arise from the review, are presented to the States?

Answer 3:

The Department will have to consider the approach it wishes to take to any review of rates in 2013 and how that links in with the already planned review of the consultation processes

(processes which the Law specifies must take place before the setting of a minimum wage rate).

If a wider review is started, the timetable will of course be affected by the need to consider the likely ramifications for business and the economy as well as employees.

The current timetable for the recommendation of rate changes is that the Department takes a Report to the States in June or July for rate changes due to take effect on 1st October of the same year. However, as mentioned, the terms of reference for any review will have an influence on the final timetable of that review and those are yet to be drafted.

As a final comment, and in the light of comments made in the recent States debate, I believe it is important to bear in mind that the key purpose of the Island's statutory minimum wage, as accepted by the States when approving its introduction, is to create a relatively simple mechanism to eliminate hourly pay rates that are considered to be so low as to be exploitative.

The purpose of the Law is no more complex than that, and, quite specifically, the States agreed that it should not be confused with the understandable, but different issues, that are bound up with the ideas of "minimum incomes" and a "living wage". .

Date of Receipt of the Question: 3rd October 2012

Date of Reply: 16th October 2012